



ANNUAL REPORT

For the Year Ended
December 31, 1941

STORES CO.

424 NORTH NINETEENTH STREET
PHILADELPHIA, PA.

OFFICE OF THE PRESIDENT

To the Stockholders of
American Stores Company:

The annual report of your company for the year 1941 is presented herewith, accompanied by certificate of Barrow, Wade, Guthrie & Co., independent public accountants.

The sales volume during the year 1941 was the highest in the history of the company. Total sales at retail stores amounted to \$157,677,475 as compared with \$124,838,734 for the year 1940, an increase of 26.3%. Consolidated net income was \$2,160,429 or \$1.66 per share, after deducting Federal and State income taxes of \$1,160,000. This compares with a net income of \$989,602 or 76¢ per share in the preceding year.

Inventories at December 31, 1941 are conservatively valued at the lower of cost or market prices, which are below prevailing replacement market prices. In view of the expanding volume of business and the necessity of carrying higher inventories, it was deemed advisable during the year 1941 to sell the investments in marketable securities, which had been held as a reserve fund, to meet such a need. Additional funds were borrowed from banks to the extent of \$3,950,000. Inventories at the year end were \$6,336,697 greater in amount than the inventories at December 31, 1940.

The number of retail stores in operation at the year end was 2,130 which compares with 2,157 units at the beginning of the year. During the year your corporation acquired from Wilkinson, Gaddis & Company, Newark, N. J., 128 stores in the North Jersey section, which were operated by that corporation under the name of Mutual Grocery Stores. These stores are now being operated under the trade names of your company.

During the year the warehouse at 19th and Hamilton Streets, Philadelphia, was sold and a new warehouse, specially designed for the storage, selection and distribution of merchandise under modern methods, was constructed in Allentown, Pa. The shorter hauls of shipments to stores in the districts surrounding Allentown, previously served by Philadelphia warehouses, will effect substantial economies in distribution. Expenditures for improvements to buildings, machinery, delivery equipment and store fixtures during the year 1941 amounted to \$2,276,662, as compared with \$1,905,573 for the preceding year. Depreciation, amounting to \$1,151,979, was charged against operations, as compared with \$1,066,523 for the year 1940.

During the year 1941, four dividends aggregating \$1.00 per share were paid. A dividend of 25¢ per share was declared on January 21st, payable April 1, 1942, to stockholders of record on February 21, 1942.

As an aid to the war effort, arrangements have been made at all of the company's stores, warehouses, bakeries, plants, work shops and offices for the sale of United States Defense Savings Stamps. Some products of the manufacturing plants of the Company have been purchased in substantial quantities by the U. S. Army and other Government Agencies. The company is making every effort to assist in the war to the full extent of its facilities and the skill and experience of its officers and employees.

Respectfully submitted,

WILLIAM PARK,

President.

February 27, 1942

AMERICAN STORES COMPANY

and Subsidiary Companies

Consolidated Balance Sheet

December 31, 1941

ASSETS

Current Assets		
Cash.....		\$ 4,891,849.92
Accounts Receivable:		
Due from Relief Agencies.....	\$ 101,861.19	
Other Accounts Receivable.....	<u>879,035.51</u>	980,896.70
Inventories—at lower of cost or market.....		<u>21,274,232.27</u>
	Total Current Assets.....	<u>27,146,978.89</u>
Miscellaneous Investments—at written down value.....		83,433.45
Fixed Assets		
Land, Buildings, Machinery, Equipment, Fixtures, etc.—at cost.....	<u>22,439,229.88</u>	
Less: Reserve for Depreciation.....	<u>9,072,492.12</u>	13,366,737.76
Unamortized Cost of Leasehold Improvements.....		361,915.22
Goodwill.....		1.00
Deferred Charges		
Prepaid Insurance, Taxes, etc.....		<u>336,476.81</u>
		<u><u>\$41,295,543.13</u></u>

LIABILITIES AND CAPITAL

Current Liabilities		
Notes Payable—Banks.....		\$ 3,950,000.00
Accounts Payable and Accrued Charges.....		4,792,863.10
Reserve for Federal and State Taxes.....		<u>1,678,132.93</u>
	Total Current Liabilities.....	10,420,996.03
Reserve for Contingencies.....		558,509.36
Capital Stock and Surplus		
Common Stock—no par value		
1,500,000 shares authorized		
1,400,000 shares issued.....	19,374,156.46	
Earned Surplus.....	<u>14,461,990.59</u>	
	<u>33,836,147.05</u>	
Less: Treasury Stock—98,680 shares.....	<u>3,520,109.31</u>	30,316,037.74
		<u><u>\$41,295,543.13</u></u>

AMERICAN STORES COMPANY

and Subsidiary Companies

Statement of Consolidated Income and Surplus

for the Year Ended December 31, 1941

INCOME ACCOUNT

Sales		\$157,677,475.43
Cost of Merchandise Sold		<u>130,922,695.86</u>
Gross Profit		26,754,779.57
Wages, Rents, Advertising, Operating and Administrative Expenses	\$21,557,228.34	
Social Security Taxes	763,798.09	
Depreciation	<u>1,151,979.15</u>	<u>23,473,005.58</u>
Profit from Operations		3,281,773.99
Income from Investments, etc.	79,099.46	
Less: Interest on Bank Loans, etc.	<u>40,444.29</u>	<u>38,655.17</u>
Profit before Income Taxes		3,320,429.16
Provision for Federal and State Income Taxes (none for Federal excess profits tax as no liability is anticipated)		<u>1,160,000.00</u>
Net Income		<u><u>\$ 2,160,429.16</u></u>

EARNED SURPLUS

Balance—December 31, 1940	\$ 13,602,881.43
Net Income for year 1941	<u>2,160,429.16</u>
	15,763,310.59
Dividends Paid—\$1.00 per Share	<u>1,301,320.00</u>
Balance—December 31, 1941	<u><u>\$ 14,461,990.59</u></u>

BARROW, WADE, GUTHRIE & CO.

ACCOUNTANTS AND AUDITORS

GIRARD TRUST BUILDING

PHILADELPHIA, PA.

*To the Board of Directors of the
American Stores Company:*

We have examined the consolidated balance sheet of the American Stores Company and its subsidiary companies as of December 31, 1941, and the statement of consolidated income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statement of consolidated income and surplus present fairly the consolidated position of the American Stores Company and its subsidiary companies at December 31, 1941, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

BARROW, WADE, GUTHRIE & CO.,

Auditors.

Philadelphia, Pa.

February 21, 1942.

American Stores Company

OFFICERS

<i>President</i>	William Park
<i>Vice-President</i>	Robert H. Crawford
<i>Vice-President and General Manager</i>	James K. Robinson
<i>Vice-President and Treasurer</i>	Wm. M. M. Robinson
<i>Vice-President and Secretary</i>	E. J. Flanigan
<i>Vice-President</i>	Fred W. Johnson
<i>Assistant Treasurer</i>	Wm. Gould
<i>Assistant Secretary</i>	J. V. Keers

DIRECTORS

Samuel Robinson	William Park
Robert H. Crawford	James K. Robinson
E. J. Flanigan	Wm. M. M. Robinson
John M. Hancock	Joseph Gilfillan
Fred J. Heaney	Wm. Gould